

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Modernizing Electricity Market Design:)
Resource Adequacy in the Evolving)
Electricity Sector – ISO New England)

Docket No. AD21-10-000

**PRE-TECHNICAL CONFERENCE STATEMENT OF DAVE A. CAVANAUGH,
CHAIRMAN OF THE NEW ENGLAND POWER POOL
(May 24, 2021)**

On behalf of the New England Power Pool (“NEPOOL”)¹, I, Dave Cavanaugh, Chairman of the NEPOOL Participants Committee, hereby submit the following Pre-Technical Conference statement.² This statement describes the initiation and evolution of discussions among NEPOOL members, State representatives and ISO-NE to explore and evaluate potential alternative market frameworks to support New England’s transition to a future grid.

I. EVOLUTION OF NEPOOL

From its original formation nearly 50 years ago to ensure reliability following the Northeast blackout of 1965, NEPOOL has evolved in response to the changing needs of the region. Since ISO-NE formally became New England’s RTO, NEPOOL has been the principal vehicle for the ISO to receive advisory input on any and all revisions to the ISO-NE Tariff and the New England markets.³ NEPOOL provides a forum for all entities with legitimate business and/or consumer interests in New England’s wholesale power arrangements, including any and all State officials, to present and discuss their interests, explore changes to those arrangements,

¹ NEPOOL is a voluntary association pursuant to the New England Power Pool Agreement, and it has grown to include more than 500 members. The members, which are referred to also as “Participants,” include all of the electric utilities rendering or receiving services under the ISO-NE Tariff, the power generators (both renewable generators and conventional generators), marketers, load aggregators, brokers, consumer-owned utility systems, demand response providers, electric storage providers and developers, end users and their advocates, and merchant transmission providers. NEPOOL has adapted through the years to expand its membership to include all interested parties, including any consumer in New England that purchases electricity in New England for its own consumption (as well as consumer advocates from across New England).

² I am appearing at the May 25 technical conference solely in my capacity as the elected Chairman of the NEPOOL Participants Committee in order to explain, as needed, NEPOOL’s past and planned processes for addressing the challenges the region now faces.

³ Pursuant to New England’s Commission-approved governance provisions, the Participants act through the NEPOOL Participants Committee. The NEPOOL Participants Committee is authorized by Section 6.1 of the Second Restated NEPOOL Agreement and Section 8.1.3(c) of the Participants Agreement to represent NEPOOL in proceedings before the Commission. *ISO New England Inc.*, 109 FERC 61,147 (2004).

and collaborate to find common ground. Throughout its history, NEPOOL members have informed and involved state and Federal regulators and officials in their discussions.

Most recently, NEPOOL has taken a leading role in providing opportunities for regional stakeholders, including representatives from the States, to explore and assess potential alternative pathways to address challenges associated with efforts to decarbonize New England's electric grid.

II. NEPOOL'S FUTURE GRID INITIATIVE

In recognition of the changing demands on the regional grid arising from evolving state policies and new technologies, and in direct response to the requests of State officials⁴ and other stakeholders, NEPOOL leadership, working closely with NESCOE and ISO-NE representatives, launched New England's ***Future Grid Initiative*** in two parallel processes: (1) to define and assess the future state of New England's regional power system and (2) to explore and evaluate potential market frameworks that could be pursued to help support New England's clean energy transition.⁵ Both of these processes encourage the active involvement of all interested representatives of both the executive and legislative branches of the states, as well as representatives of the Commissioners and Commission staff, as these issues are explored together. The New England States Committee on Electricity ("NESCOE") has been fully involved with both parallel processes and discussions.⁶

Future Grid Study Effort – Assessing the Future Together

This past year, NEPOOL, NESCOE and ISO-NE worked together to define a study (the ***Future Grid Reliability Study***) that will assess the future state of the regional power system in light of state energy and environmental requirements.⁷ The study will involve and perform multiple areas of analysis, including a gap analysis to help determine whether, in the future state envisioned, the competitive markets will provide what is needed to assure reliable operations of the grid.

⁴ In July 2019, NESCOE had specifically asked that ISO-NE plan to allocate resources in 2020 "to support states and stakeholders in analyzing and discussing potential future market frameworks that contemplate and are compatible with the implementation of state energy and environmental laws." See NESCOE memorandum to ISO-NE, "ISO-NE 2020 Work Planning: Markets & State Laws" (dated July 16, 2019), accessible at: <https://nescoe.com/resource-center/2020-workplan-jul2019/>.

⁵ All materials discussed at and within each of these processes, including materials/presentations on each of the potential alternative market frameworks identified and explored to date, are posted to the NEPOOL website and available to all.

⁶ Certain state agencies/interests have also been fully engaged through the participation of NEPOOL member representatives (i.e., Massachusetts Attorney General's Office).

⁷ Those requirements include detailed goals for adopting clean technology and reducing carbon emissions from the power grid, which are varied among the six New England states and, some of which, have target dates out to 2050.

Over the past year, stakeholders worked together to develop a Future Grid Reliability Study framework. That work was conducted through the formal NEPOOL committee processes at numerous joint meetings of the NEPOOL Markets and Reliability Committees. Through collaboration and consensus building, NEPOOL and NESCOE agreed to a study framework, which has been formulized as a 2021 Economic Study.⁸ For this 2021 Economic Study, the ISO is conducting a series of engineering and economic analyses that use stakeholder-defined scenarios to identify grid reliability challenges that could occur in the year 2040 in light of state energy policies, with the ISO planning to issue a report in Q1 2022. The request is the first part of NEPOOL’s larger Future Grid Reliability Study, which is proceeding in two phases.⁹

NEPOOL appreciates NESCOE’s close collaboration on this study effort and remains engaged with the ISO and other interested stakeholders to support successful and timely completion of the studies.¹⁰

Pathways to the Future Grid – Exploring Options Together

Importantly, NEPOOL has also taken a leading role in providing a dedicated vehicle for regional stakeholders, all interested state officials/representatives, and the ISO to learn about, explore together, and assess potential alternative pathways to support New England’s clean energy transition. In response to specific requests from the states (through NESCOE) and other stakeholders, NEPOOL commenced New England’s ***Pathways to the Future Grid*** process.

The ***Pathways to the Future Grid*** effort is a focused stakeholder process to identify and evaluate potential alternative market frameworks that contemplate and are compatible with the implementation of state energy and environment laws. The ***Pathways*** discussions have all taken place during meetings of the NEPOOL Participants Committee, which is the highest level and most broadly attended NEPOOL forum/committee. Beginning nearly a year ago, regional stakeholders have received presentations from industry experts on various potential frameworks that have been identified for exploration and assessment. To date, those presentations were specifically to educate regional stakeholders, the States and ISO-NE on the following potential future pathways/market frameworks: Forward Clean Energy Market (FCEM); Carbon Pricing; Energy Only Market (EOM), various Alternative Reliability Assurance Constructs (ARACs); Integrated Clean Capacity Market (ICCM); and an energy-based resource adequacy construct.¹¹

⁸ NEPOOL formally requested phase 1 of the Future Grid Reliability Study to be a 2021 Economic Study pursuant to Section 4.1(b) of Attachment K of the ISO-NE Open Access Transmission Tariff.

⁹ A second phase that would assess revenue sufficiency and system security in a gap analysis is paused for now; results of and issues resolved through phase 1 and other future-grid related studies will be critical inputs to and create efficiencies in how the phase 2 analyses may be shaped.

¹⁰ Further information about this Future Grid Reliability Study effort, including presentations and other materials discussed among regional stakeholders, are posted at: http://nepool.com/Future_Grid.php.

¹¹ All of the presentations provided at these “Pathways to the Future Grid” meetings are available to the public on the NEPOOL website, accessible at: http://nepool.com/Fut_Grid_Poten_Pathways.php.

NEPOOL also engaged an independent consultant to help qualitatively assess the advantages and disadvantages of each identified potential pathway/market framework, and to help identify additional decisions on details and design that will need to be made in order to more fully assess and compare the various potential frameworks.¹² The analysis of that consultant is referenced in the Commission's Supplemental Notice for this Technical Conference and posted on NEPOOL's website.¹³

Earlier this year, the *Pathways to the Future Grid* process entered a new phase. NEPOOL stakeholders and State officials are now working together to help the ISO scope and define its proposed deeper analysis/quantitative assessment of two potential alternative market constructs that could advance the region's clean energy transition; net carbon pricing and a forward clean energy market. The expectation is that the time period required for conducting these studies/analysis would encompass the remainder of 2021 with results expected to be completed in the first quarter of 2022 (similar timing for completion of phase 1 of NEPOOL's Future Grid Reliability Study).

NEPOOL invites and strongly encourages continued and active engagement by the States and the Commission in its ongoing Future Grid processes.

III. CONCLUSION

NEPOOL will continue to provide a vehicle for New England stakeholders, including state officials/representatives, and ISO-NE to explore and evaluate potential pathways/market frameworks for accommodating, and advancing if possible, state public policy objectives. Successfully moving forward with any particular market framework(s) depends on the collaboration and consensus building within the region, particularly with and among NEPOOL members and the six New England States.

Finally, recognizing that every area of the country is unique, I respectfully urge on NEPOOL's behalf that the Commission fully consider those regional differences and priorities, and provide reasonable flexibility for New England to satisfy its unique needs.

Respectfully submitted,

/s/ _____
Dave A. Cavanaugh
Chairman,
NEPOOL Participants Committee

¹² Dr. Frank Felder was asked by NEPOOL to provide his independent observations on the potential impact of the various identified pathways (1) in helping to advance the State's clean energy policy objectives and (2) on market efficiency.

¹³ See footnote 2 of Commission's Supplemental Notice (dated May 17, 2021). To be clear, NEPOOL institutionally has not taken a substantive position on any of the conceptual proposals identified to date.